

Application no. 09/559,320  
Request for Reconsideration

## REMARKS

### Request for clarification of the status of claims 7-9 and 11-14

The pending claims are attached in Appendix A.

In the final office action mailed January 21, 2004, the *Office Action Summary* stated that claims 1 and 4-24 were rejected.

Claims 1, 4, 6 and 16 were rejected under 35 USC 103(a) as being unpatentable over (1) Lau et al.<sup>1</sup> (hereinafter "Lau") in view of (2) O'Shaughnessy (US 5,978,778).

Claims 5, 15 and 17-24 were rejected under 35 USC 103(a) as being unpatentable over (1) Lau et al. as modified by (2) O'Shaughnessy and in further view of (3) Fastener (U.S. 5,873,071).

Claim 10 was rejected under 35 U.S.C. 103(a) as being unpatentable over (1) Lau in view of "O'Shaughnessy and (3) In re Harza, 124 USPQ 378, 380; 274 F.2d 669 (CCPA).

Significantly, the Examiner did not specify what combination of references was used to reject claims 7-9 and 11-14. Clarification is requested as to whether or not these claims stand rejected and, if so, the rationale for each claim's rejection.

### Request for Reconsideration

For reasons discussed below, it is respectfully submitted that the Examiner has misinterpreted the Lau reference, and so the rejection of record should be withdrawn.

In the Final Office Action, in formulating the rejection of the claims, the Examiner interpreted the Lau reference as follows:

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<sup>1</sup> "Trading of Nasdaq Stocks On the Chicago Exchange", The Journal of Financial Research, Vol. XLX, No. 4, Pages 579-584, Winter 1996.

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In claims 1, 6 and 16, Lau discloses a method for facilitating an exchange in ownership and a first financial instrument<sup>2</sup> and/or plurality of instruments (stock or stocks) representing ownership interest in a first portfolio (stocks traded only on the NASDAQ), the first portfolio comprising units of an integer number of M (NASDAQ stock or stocks) different securities selected from a second portfolio (see Lau Abstract, NASDAQ Stocks traded on the Chicago Stock Exchange ("CSE")), the second portfolio comprising units of a integer number N (CSE/NASDAQ stocks) different securities,  $N > M$ , with the M different securities being a subset of N different securities (See Lau Abstract and Introduction).

wherein the first financial instrument (*a Stock within the NASDAQ portfolio*) and a second financial instrument representing an ownership interest in the second portfolio (*a Stock within the NASDAQ/CSE portfolio*), are traded on a securities market (see Lau Abstract and Introduction).

Therefore, as interpreted by the Examiner, Lau's "first portfolio" comprises the (M different) 'stocks only traded on the NASDAQ' and these are selected from a "second portfolio" of stocks comprising (N different) "NASDAQ stocks traded on the Chicago Stock Exchange"<sup>3</sup>. The Examiner argues that Lau discloses that  $N > M$  and that the M different securities are a subset of the N different securities.

However, the last two paragraphs on page 580 of the Lau article read:

"The initial sample comprises 1,580 stocks that trade on the NASDAQ. Of these, 100 also trade on the CSE.....

The linear programming model is used to form two portfolios, one a subset<sup>4</sup> of the 100 firms that trade on both the CSE and NASDAQ and the other a subset<sup>5</sup> of the 1480<sup>6</sup> firms that trade only on the NASDAQ." (emphasis added)

<sup>2</sup> Lau's article is an academic study comparing two groups of stocks. Nowhere does Lau suggest a "financial instrument representing an ownership interest" in either group.

<sup>3</sup> Hereinafter "CSE/NASDAQ" stocks

<sup>4</sup> As seen in Table 1 on p. 582 of the article, this subset ultimately contains only 60 of the 100 firms that trade on both the NASDAQ and the CSE. Using the Examiner's interpretation of Lau as applied to the pending claims,  $N = 60$ .

<sup>5</sup> As seen in Table 1 on p. 582 of the article, this subset contains only 57 of the 1480 firms that trade only on the NASDAQ. Using the Examiner's interpretation of Lau as applied to the pending claims,  $M = 57$ .

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Thus, in the Lau article, all 1580 stocks that trade on the NASDAQ were partitioned into two disjoint groups: (1) 1480 that trade only on the NASDAQ, and (2) 100 that trade on the NASDAQ and also on the CSE<sup>7</sup>. Of the 1480 that trade only on the NASDAQ, M = 57 were selected for Lau's study, and of the 100 that trade on NASDAQ and also on the CSE, N = 60 were selected for Lau's study.

While in Lau's study  $N > M$  (i.e.,  $60 > 57$ ), it is submitted that the M = 57 securities which trade only on the NASDAQ *cannot* be a subset of the N = 60 securities that trade on the NASDAQ and also on the CSE, since the two groups are disjoint and have no overlapping members. In other words, none of the M = 57 securities can belong to group comprising (a) stocks traded only the NASDAQ (i.e., the 'first portfolio', as interpreted by the Examiner), *while also belonging to* a group comprising (b) stocks traded on the NASDAQ and also on the CSE (i.e., the 'second portfolio', as interpreted by the Examiner).

It is further noted that the entire purpose of the Lau article was to compare stocks traded in two markets with stocks traded only in one market, to see if there was any difference in competition. Therefore, it would have made no sense in Lau's Study for the M = 57 stocks in the 'first portfolio' to all be a subset of the N = 60 stocks in the 'second portfolio'.

In view of the foregoing, it is believed that Lau does not teach what the Examiner says it purports to teach, and so it is submitted that the rejection of record should be withdrawn and claims 1 and 4-24 allowed. If Applicants have misinterpreted the Examiner's analysis, the Examiner is kindly asked to explain exactly how and why he believes Lau to disclose "the M different securities being a subset of the N different securities", in light of the foregoing comments. The Examiner's explanation would assist Applicants in properly addressing this issue in a forthcoming Appeal, should one be necessary.

<sup>6</sup> 1480 (total in NASDAQ only) = 1580 (total in NASDAQ) - 100 (those in both NASDAQ and CSE)

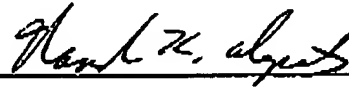
<sup>7</sup> See also, Lau's first paragraph at p. 579-80: "We use a linear programming model to select a subset of stocks traded exclusively on the NASDAQ and another subset traded on both the CSE and NASDAQ." (emphasis added).

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No fee is believed to be due for this submission. Should any kind of a fee be required, including a fee for added claims or an extension of time, please charge any such fee to Womble Carlyle's Deposit Account No. 09-0528.

Respectfully Submitted,

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## Appendix A

### Pending Claims

1. A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number  $M$  different securities selected from a second portfolio, the second portfolio comprising units of an integer number  $N$  different securities,  $N > M$ , with the  $M$  different securities being a subset of the  $N$  different securities,

wherein the weight of each security in the first portfolio is similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio,

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

wherein all of said  $M$  different securities in the first portfolio are traded on a first securities market, and none of the other  $N-M$  different securities are traded on said first securities market.

4. The first financial instrument according to claim 1, wherein the first and second financial instruments are both traded on the same securities market.

5. The first financial instrument according to claim 4, wherein the first and second financial instruments are both traded on the American Stock Exchange (AMEX).

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6. A first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number  $M$  different securities selected from a second portfolio, the second portfolio comprising units of an integer number  $N$  different securities,  $N > M$ , with the  $M$  different securities being a subset of the  $N$  different securities,

wherein the weight of each security in the first portfolio is similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio,

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

wherein the  $M$  different securities in the first portfolio are all traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ).

7. The first financial instrument according to claim 6, wherein the second portfolio comprises stocks belonging to the Standard & Poor's 500 (S&P 500) and the first portfolio comprises only all of the stocks in the S&P 500 that are traded on the NASDAQ.

8. The first financial instrument according to claim 1, wherein the  $M$  different securities in the first portfolio have the  $M$  lowest average trading volumes among the  $N$  different securities during a previous time period.

9. The first financial instrument according to claim 1, wherein the  $M$  different securities in the first portfolio have the  $M$  highest price fluctuations among the  $N$  different securities during a previous time period.

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10. A plurality of first financial instruments  $C_{1eq}, C_{2eq}, C_{Jeq}, J > 1$ , each representing an ownership interest in a corresponding one of a first set of  $J$  portfolios  $\{C_1, C_2, \dots, C_J\}$ , each member of said first set of portfolios comprising units of a corresponding integer number  $M$  different securities selected from a second portfolio, the second portfolio comprising units of an integer number  $N$  different securities,  $N > M$ , with the  $M$  different securities being a subset of the  $N$  different securities for all  $j$ , wherein

the weight of each security in any one  $C_j$  is similar to that security's corresponding weight in the second portfolio, divided by the combined weight of  $C_j$  within the second portfolio,

each of the first financial instruments, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

all of said  $M$  different securities in at least one of the  $J$  portfolios are traded on a first securities market, and none of the other  $N - M$  different securities are traded on said first securities market.

11. The plurality of first financial instruments according to claim 10, wherein the set of first portfolios have no securities in common.

12. The plurality of first financial instruments according to claim 11, wherein the set of first portfolios form a partition of the second portfolio such that all  $N$  securities in the second portfolio are distributed among the set of  $J$  first portfolios.

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13. The plurality of first financial instruments according to claim 10, wherein at least two members of the set of first portfolios have securities in common.

14. The plurality of first financial instruments according to claim 13, wherein all N securities in the second portfolio are represented in at least one member of the set of first portfolios.

15. A method of facilitating an exchange in ownership of a security, the method comprising:

a step of providing a first financial instrument representing an ownership interest in a first portfolio, the first portfolio comprising units of an integer number M different securities selected from a second portfolio, the second portfolio comprising units of an integer number N different securities,  $N > M$ , with the M different securities being a subset of the N different securities,

wherein the weight of each security in the first portfolio is similar to that security's corresponding weight in the second portfolio, divided by the combined weight of the first portfolio within the second portfolio,

wherein the first financial instrument, and a second financial instrument representing an ownership interest in the second portfolio, are traded on a securities market, and

wherein all of said M different securities in the first portfolio are traded on a first securities market, and none of the other N-M different securities are traded on said first securities market;



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a step of receiving a first offer to sell said first financial instrument;  
  
a step of receiving a second offer of buy said first financial instrument; and  
  
matching said first and second offers.

16. A first financial instrument representing an ownership interest in a first portfolio comprising an integer number M different stocks traded on the National Association of Securities Dealers Automated Quotations System (NASDAQ), wherein:

the M different stocks are included in an index based on market capitalization values of an integer number N different stocks,  $N > M$ , with the M different stocks being a subset of the N different stocks and at least some of the N different stocks being traded on an exchange other than the NASDAQ; and

the market capitalization weight of each of the M different stocks in the first portfolio is similar to that stock's corresponding market capitalization weight in the index, divided by the combined market capitalization weight of the first portfolio within the index.

17. The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 500 (S&P 500).

18. The first financial instrument according to claim 16, wherein the index is the Standard & Poor's 100 (S&P 100 ).

19. The first financial instrument according to claim 16, wherein at least some of the N different stocks are traded on the New York Stock Exchange.

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20. The first financial instrument according to claim 16, wherein N-M of the N different stocks are traded on the New York Stock Exchange.

21. The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 500 (S&P 500).

22. The first financial instrument according to claim 20, wherein the index is the Standard & Poor's 100 (S&P 100).

23. A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 500 (S&P 500), wherein the market capitalization weight of each of the individual NASDAQ stocks in the first portfolio is similar to that stock's corresponding market capitalization weight in the S&P 500, divided by the combined market capitalization weight of the first portfolio within the S&P 500.

24. A first financial instrument representing an ownership interest in a first portfolio comprising stocks in the National Association of Securities Dealers Automated Quotations System (NASDAQ)-only component of the Standard & Poor's 100 (S&P 100), wherein the market capitalization weight of each of the individual NASDAQ stocks in the first portfolio is similar to that stock's corresponding market capitalization weight in the S&P 100, divided by the combined market capitalization weight of the first portfolio within the S&P 100.